

Special Direct Consolidation Loan High-Level Summary Update

Attachment to December 2011 Electronic Announcement

Through four basic questions, we present high-level summary information about the process, borrower eligibility, loan eligibility, and benefits associated with Special Direct Consolidation Loans that will be available from January 17 – June 30, 2012. This summary information is further supplemented by the information available on our [Special Direct Consolidation Loans Web page](#).

How will the Special Direct Consolidation Loan Process work?

- Special Direct Consolidation Loans ***are not the same as*** traditional Direct Consolidation Loans that borrowers can apply for today.
- Only certain borrowers will be eligible for Special Direct Consolidation Loans.
- Eligible borrowers will be contacted by one of four federal loan servicers starting in January 2012. Given the number of eligible borrowers, these contacts will occur over several weeks.
- The servicers that will contact eligible borrowers are FedLoan Servicing (PHEAA), Great Lakes Educational Loan Services, Inc., Nelnet, and Sallie Mae.
- The servicers will provide eligible borrowers with application instructions.
- After receiving application instructions from a servicer, eligible borrowers will apply through a new and different online process.
- Borrowers who choose to apply for a Special Direct Consolidation Loan ***must not apply*** through the traditional Direct Consolidation Loan Web site (<http://loanconsolidation.ed.gov>).

What loans must a borrower have to be eligible for a Special Direct Consolidation Loan?

- At least one Direct Loan or ED-held FFEL loan that is current or less than 270 days delinquent and at least one commercially-held FFEL loan that meets the requirements outlined below.

Note: If a borrower does not have at least one Direct Loan or ED-held FFEL loan that is current or less than 270 days delinquent, the borrower may become eligible for the Special Direct Consolidation Loan opportunity after working with his or her federal loan servicer to bring at least one ED-held loan current or less than 270 days delinquent.

What loans are eligible for Special Direct Consolidation?

- ***Only commercially-held FFEL loans*** (subsidized, unsubsidized, PLUS, and consolidation).
- Commercially-held FFEL loans ***must be*** in grace, repayment, deferment, or forbearance. Loans that are in an in-school status are not eligible for consolidation.
- Commercially-held FFEL loans ***cannot be*** in default, and cannot be loans that the borrower is seeking to have discharged through bankruptcy. Previously defaulted loans that have been rehabilitated are eligible for consolidation.

What will a borrower gain by obtaining a Special Direct Consolidation Loan?

- One servicer and one payment for the borrower's eligible loans, as opposed to one or more servicers with multiple bills and varying repayment requirements. (Some federal student loans and all commercially-held "private" student loans are not eligible for the Special Direct Consolidation Loan opportunity.)
- For commercially-held FFEL loans that are consolidated, a 0.25 percent reduction from each loan's existing interest rate at the time of consolidation, plus the opportunity to receive an additional 0.25 percent interest rate reduction if automatic debit is chosen for repayment.
- For commercially-held FFEL loans with a variable interest rate at the time of consolidation, the conversion to a fixed interest rate at the lower percentage that will not change over time.
- No loss to previous time in repayment; it will count towards the repayment term for the new Special Direct Consolidation Loan.
- No loss of credit for Income-Based Repayment (IBR) payments made prior to consolidation; they will count towards the required 25 years of payments for IBR loan forgiveness.
- Commercially-held FFEL loans that are consolidated into a Special Direct Consolidation Loan will be eligible for the Public Service Loan Forgiveness Program, a benefit available only in the Direct Loan Program.
- Continuation of deferment or forbearance status, if an eligible loan is in that status at the time of consolidation.